

NICKEL PLATE HERITAGE RAILROAD



**ECONOMIC
DEVELOPMENT**

ENCOURAGING
PLACE-BASED
INVESTMENTS

YEAR-ROUND
ACTIVITY

CREATING
COMMUNITY
PRIDE

ENCOURAGING
PRIVATE INVESTMENT

SUPPORTING
WORKFORCE CREATION

BUILDING A
SUSTAINABLE MODEL

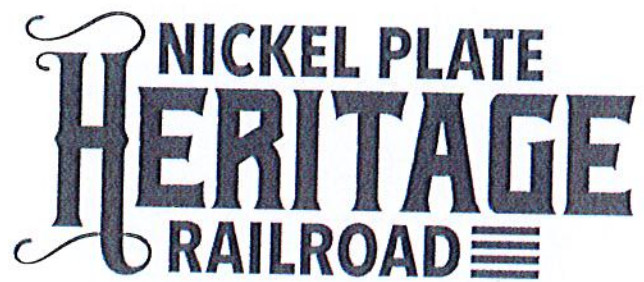
TOURISM
DEVELOPMENT

**CULTURAL
TOURISM**



ARCADIA · ATLANTA · TIPTON





**Proposal to the
Hoosier Heritage Port Authority
For New Railroad Operations on the
Historic Nickel Plate Railroad**

June 13, 2017



TABLE OF CONTENTS

Cover Letter/Team Identification	Page 4
Railroad Project Team	Pages 5-6
Proposed Operating Model	Page 7
Proposed Organizational Model	Page 8
Proposed Business Plan	Pages 9-10
Five-Year Financial Forecast	Page 11
Proposed Scope of Rail Line Operations	Pages 12-14
Proposed Facilities/Equipment/Risk Management	Pages 15
Proposed Port Authority Partnership	Pages 16
Hamilton County Tourism, Inc. 2014-2015	Pages 17-19
Hamilton County Tourism, Inc. 2015-2016	Pages 20-22
Atlanta Pacific Railroad, LLC Letter of Credit	Page 23
Proposed Railroad Development Timeline	Page 24
Proposed Railroad Draft Program Schedule	Page 25



June 13, 2017

Review Committee
Hoosier Heritage Port Authority
33 North 9th Street, Suite 215
Noblesville, IN 46060

Dear Committee Members:

Enclosed please find a proposal for an economic and tourism development opportunity utilizing a portion of the existing rail line owned by the Hoosier Heritage Port Authority.

The proposal is submitted by Hamilton County Tourism, Inc. on behalf of the two organizations listed below, with support from the Town of Atlanta, local business owners Steve and Liz Nelson and Hamilton County Tourism, Inc.:

- Arcadia Arts & Heritage Depot, a charitable non-profit based in Arcadia, Indiana which will serve as the non-profit operator of the railroad excursions under a mission and name change to Nickel Plate Heritage Railroad, Inc.
- Atlanta Pacific Railroad, LLC, a company owned by Thomas Hoback

This team has worked for six months to prepare a vision for a new rail line should the opportunity become available. It has applied for a USDA Rural Development Grant to support downtown enhancements in Atlanta. More detail about this collective can be found later in the proposal.

While preservation of a portion of this historic rail line is considered culturally important, this proposal focuses on the asset-based community and economic development opportunities this new vision provides.

We hope to have an opportunity to discuss this vision further with you when the HHPA chooses proposals for further consideration.

Sincerely,

Brenda Myers, President/CEO Hamilton County Tourism, Inc.
Thomas G. Hoback, President, Atlanta Pacific Railroad, LLC
Stephen Nelson, Owner, Mr. Muffin's Trains/Atlanta on Track

Nickel Plate Heritage Railroad, Inc.
107 W. South Street
Arcadia, IN 46030

Contact: Brenda Myers at (317) 997-8172, bmyers@hamiltoncountytourism.com

Nickel Plate Heritage Railroad Project Team

Thomas G. Hoback, Former President and CEO, The Indiana Railroad Company; Owner, Atlanta Pacific Railroad, LLC

Project Role: Railroad Operator

Professional Experience: Tom is founder, and former president and chief executive officer of The Indiana Rail Road Company, an Indianapolis-based 500-mile regional railroad with routes from Chicago to Indianapolis, Louisville and central Illinois. In 2015, after nearly 30 years, Tom retired and sold his stock to CSX. A native of Peoria, Illinois, Tom attended Golden Gate University in San Francisco, where he received a Bachelor of Science degree in transportation and economics. In 2012, he received an honorary Doctorate of Engineering degree from Rose-Hulman Institute of Technology, for revitalizing Indiana Rail Road's infrastructure. During his early career, he held senior marketing positions for major rail carriers in San Francisco and Chicago. In 1986 he founded Indiana Rail Road, whose original route between Indianapolis and Newton, Illinois, he acquired from the Illinois Central. In May 2006, the company acquired the Indiana assets of Canadian Pacific Railway, extending its route system to the Chicago gateway and Ohio River ports at Louisville, Kentucky. Under his leadership the company saw sustained year-over-year growth of nearly 16 percent and an increase in annual gross ton-miles of nearly 4,100 percent. Indiana Rail Road moved its 2,000,000th revenue carload of freight in the fourth quarter of 2011. Tom is Board Chair of the board of directors of the Eiteljorg Museum of American Indians and Western Art. Elected to the Indiana Historical Society board of trustees in 2002, He completed a three-year term as Chairman in 2011. He has a long-standing association with the Society, having cofounded the Midwest Railroad Research Center in 1997. He is also active on other boards and advisory committees including the Lexington Group of Transportation History; and serves on the board of the John W. Barriger III National Railroad Library at the University of Missouri, St. Louis; and serves on the editorial advisory board for the publication, Railroad History.

Mark & Wiley Brown, Railroad Operating Staff

Project Role: Local Railroad Management

Professional Experience: Mark Brown has more than 40 years of railroad experience, including serving from 1981-2017 in railroad construction and maintenance for a family-owned business, managing both small and large-scale operations. Mark and his son Wiley own and operate the Central Indiana Western Railroad, Mark for 30 years and Wiley for six as operations manager, in addition to other experience in track maintenance operations.

Stephen and Liz Nelson, Owners, Mr. Muffin's Trains

Project Role: Chairmen, Atlanta on Track Economic Development Collective

Professional Experience: Steve and Liz have spent a career in business and real estate. Steve is a member of the faculty of the College of Business at Butler University, where he teaches operations management and systems and strategic business leadership in the MBA program. Prior to teaching, he served in a variety of positions with telecommunications and information business systems. Liz is a realtor who also actively participates in the business. The Nelsons

moved their home and business to Atlanta because of its proximity to the rail line and the unique opportunities the downtown provided them. Their business has grown since moving to the town in late 2016 and includes on-line retail sales as well as ownership of a model business. They have formed the ad hoc Atlanta on Track collective that will become a trade association in 2017, bringing together the town, local businesses and the train operator to share a vision for the future. Meanwhile, they have hosted a model railroad show and have worked with the Hamilton North Chamber of Commerce to produce the Atlanta Express festival June 2017 as pilot projects.

Robyn Cook, Atlanta Town Clerk

Project Role: Day-to-Day Oversight of Atlanta Development on behalf of the Atlanta Town Council

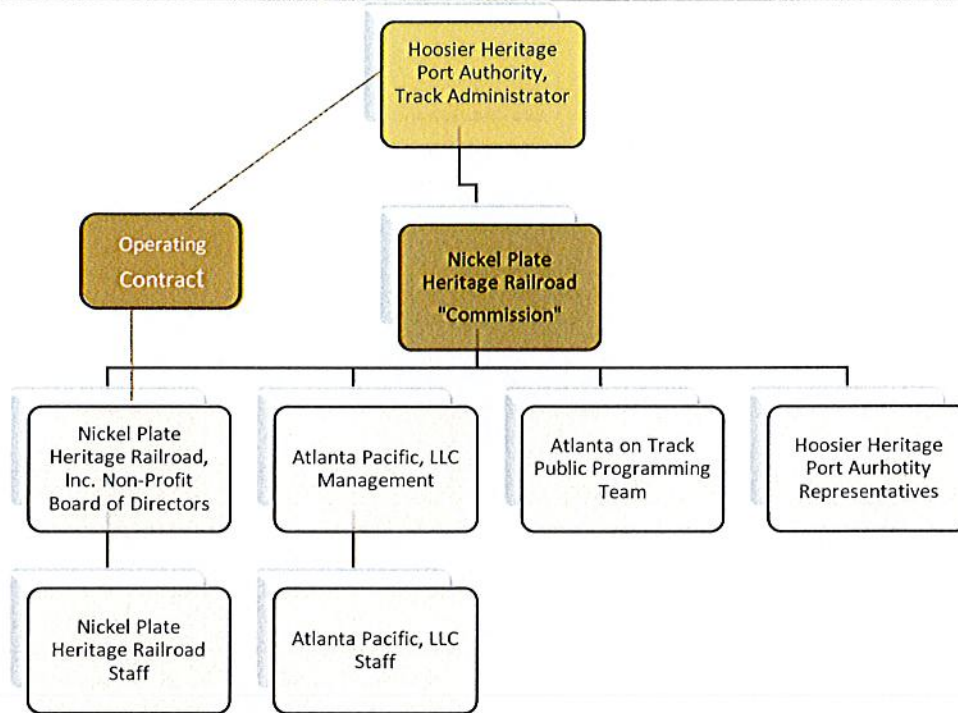
Professional Experience: Robyn Cook has served as Clerk Treasurer for the Town of Atlanta for 17 years. She is an Indiana Accredited Municipal Clerk who is responsible for all aspects of municipal administration and accounting. In addition to serving as administrative clerk to the town council, she prepares annual budgets and follows Indiana Department of Local Government Finance guidelines. She also serves as administrator for Atlanta Utilities and manages the Atlanta New Earth Festival, a 40-year tradition that brings more than 50,000 visitors each year to the community.

Brenda Myers, President/CEO Hamilton County Tourism, Inc.

Project Role: Technical Assistance/Non-Profit Start-Up/Grant Writer/Marketing Assistance

Professional Experience: Brenda has worked for 34 years in non-profit management, including 17 years combined at Conner Prairie and the Indiana Historical Society, two of Indiana's cultural heritage treasures. There she was responsible for visitor services, earned revenue through admissions, marketing and communications, special event and/or group programming and ancillary sales. She has an additional 16 years of experience in tourism development as Executive Director of Tour Indiana, a non-profit trade association promoting group travel in the state, where she also served on contract with the Indiana Office of Tourism Development assisting communities in destination development; and, in her current role as head of Hamilton County's destination management organization. She serves on the Board of Directors for the Indiana Tourism Association where she chairs the Research Committee and serves on the Government Affairs Committee; as Chairman of the Board of the Central States Travel Tourism Research Association; and, as the regional representative to the Capital Improvement Board of Managers for Marion County. She holds an undergraduate degree in political science and journalism from Indiana University and a graduate degree in history from Butler University.

Nickel Plate Heritage Railroad Operating Model



Nickel Plate Heritage Railroad Commission

- Accountable to the Hoosier Heritage Port Authority for track maintenance and safety
- Each entity accountable to its owner/board to provide the services defined by that entity, supporting the collective operations
- Measureable metrics monitored to include visitor feedback, sales, schedule compliance, safety
- Monthly meetings for the first year of operations, and if a comfort level is defined, bi-monthly meetings of the commission but ongoing operations communications about upcoming events would take place weekly through electronic and in-person meetings

Nickel Plate Heritage Railroad Board Responsibilities:	Atlanta Pacific, LLC Management Responsibilities:	Atlanta on Track Public Programming Team Responsibilities:	Hoosier Heritage Port Authority Representatives Responsibilities:
A non-profit board of directors carries out the mission of the railroad's programs including fiscal and programmatic oversight, employee management and risk management. Provides the staffing, programming and marketing to ensure the best in visitor experience. Contracts with the Atlanta Pacific to run the railroad operations.	The Atlanta Pacific, LLC provides contracted rail service to the Nickel Plate Heritage Railroad to advance its programmatic needs, ensures safe operations and compliance, and maintains the tracks. Provides operating and inspection staffing required to operate a safe and enjoyable excursion experience.	Atlanta on Track coordinates the public side of the railroad's operations to include maintenance of the town and community center, coordination with schedules and events, public safety and visitor services. Supports the programs of the railroad but also may supplement with its own business promotions, etc.	Contracts with the Nickel Plate Heritage Railroad Board to run excursions. As track owner and contractor of the line, these positions have access to an understanding of day-to-day operations, maintenance schedules, compliance, financial and other metrics to ensure contract obligations are being met.

Nickel Plate Heritage Railroad Organizational Model



Funding From:

Ticket Sales
Sponsorships
Grants
Gifts



Atlanta Pacific Railroad, LLC

Funding From:

Contract with Nickel Plate
Heritage Railroad, Inc.

Atlanta on Track

Funding From:

Portion of ticket sales,
Nickel Plate Heritage
Railroad

Notes about Organizational Model:

- Bulk of the responsibility falls on the non-profit entity, including debt service and contractual obligations to the railroad operator, responsible for safe operations and maintenance of the track and equipment
- The equipment (defined later) will be owned by the non-profit and leased to the railroad operator unless other optimal lease arrangements can be arranged; the operator will provide reports on maintenance, safety, track condition, etc. A forecast list of capital expenses will be ongoing and part of planning.
- Should the non-profit fail to provide adequate programming oversight, raise funds or attract business, the for-profit railroad can opt out after a length of time specified in the contract
- Should the railroad operator fail to provide adequate rail maintenance, safety oversight and equipment maintenance, the non-profit can opt out after a length of time specified on the contract and seek a new operator
- It is hoped that the HHPA will agree to an initial five-year contract to allow time for the operation to get its footing with renewal rights
- It is proposed that there be no lease fee with the HHPA in lieu of the positive economic impact this project will make on community in addition to enhancing the quality of place and quality resident/visitor engagement opportunities.

Nickel Plate Heritage Railroad Business Plan

The Nickel Plate Heritage Railroad model is one like those in the airline industry. A railroad operation company will manage the equipment and track for the company that manages the programming and schedule, as well as marketing and ticket sales.

The advantage to this model is those who are truly experts in running a railroad as the delivery vehicle for the programming can do it more efficiently. And, those who are experienced at public programming, marketing, sales and service delivery can do that more expertly. The key is ensuring you have adequate expertise in railroad and programming operations, and this plan provides the talent needed to ensure a successful operation.

The model relies on both entities agreeing to a set of metrics as goals, a clear line of communication, professionalism and trust. In this new Nickel Plate Heritage Railroad model, three things will keep this balance in check:

1. **Professionalism** – The teams are operated by paid professionals who take pride in what they do and are held accountable for delivery of service
2. **Shared Vision** – The teams are part of a broader collective that includes everyone from the rail line owner to the community programming entity for a shared vision
3. **Focus** – The teams understand that this is not about railroads; it's about community asset-based economic development and the delivery of an experience that happens to be on a train

Initiating the Railroad

Hamilton County Tourism, Inc. has worked with a variety of granting agencies and with the development team to understand the costs of initiating this new railroad operation. The following pools of funds are in development to support the project should this proposal receive the contract from the Hoosier Heritage Port Authority:

- **Railroad Operations Capital Outlays Equipment** – See equipment information, also included in this proposal. A USDA-backed low-interest government loan will be used to obtain the equipment.
- **Railroad Operations Capital Outlays Infrastructure** – It is estimated that up to \$1 million in railroad repairs for the 8.5 miles of line between Tipton and Arcadia will be needed to bring the track to safe operating standards for a tourism railroad.
- **Railroad Programming Start-Up Outlays** – A grant will be sought to support start-up staffing for the railroad program team, and those conversations have begun. It is hoped 50% of the operating costs for the first year can be granted to allow for 25% coverage and to bring staff on board in late fall to begin February programming operations.

Programming Operations

The Nickel Plate Heritage Railroad staff will include a director, visitor services and programming representatives. It is hoped local high school students and others can be employed as train attendants and program support for larger events. The program staff will operate out of the Arcadia Depot, where exhibits about the railroad and the town's glass history also will be shared. A working partnership with the Indiana Historical Society will provide "on-demand" train exhibits. Offices will be set aside in that space for staff. The paid professional operations staff will focus on delivery of quality experiences and guest services.

Railroad Operations

The Atlanta Pacific Railroad will supervise the initial rehabilitation of the proposed line and support its ongoing maintenance with an annual plan of work. Local managers would be hired to operate the line who have experience, access to maintenance equipment and labor. Seasoned paid railroad professionals will support every aspect of the line including meeting all requirements to ensure regular track inspections and maintenance, and ensuring operations meet or exceed all safety standards.

Equipment ownership will be kept to a minimum to provide excellence in service without taxing limited resources. The railroad operations will operate out of a small office space leased by Mr. Muffin's Trains. Railroad equipment repair and maintenance will take place in a maintenance facility in downtown Atlanta; locations have been searched out but not optioned. The goal is to build a metal building repair and maintenance facility with a turnout to provide adequate protection.

Visibility and Marketing

The train's operations focus on maximizing capacity to drive down per-person costs. It costs the same to run a train for 10 people as it does 100. This will require marketing expertise that will initially come from Hamilton County Tourism's talented marketing team. Raising awareness of the new product will be key at first, followed by sustained interest in seasonal programming.

In September 2016, Hamilton County Tourism, Inc. commissioned SMARInsights to conduct a product feasibility study for the train product. Research panels consisted of the Chicago area target market as well as 75-miles plus from Hamilton County in-Indiana. These individuals were screened and had taken at least one weekend getaway leisure trip in the past year. The following results indicate major interest in the train product. Anything over 4 is considered a travel "motivator," in that it would be compelling enough to travel specifically for that experience and anything over 3.5 is considered a travel "enhancer," meaning it would be considered an excellent addition to the portfolio:

- Seasonal themed train rides, including dinner or music and drinks on a vintage train – **4.26**
- Train rides to a train-themed town, with train themed play areas, themed store – **3.91**
- Large model railroad with stores, train-themed foods like hobo sacks caboose rides – **3.68**

The proposed programming calendar that follows uses this research to drive content. The emphasis on this product will be on the overall community experience, not on the train itself. For those who love railroad history, however, product will be provided in the way of occasional programming, the nature of the train ride itself and through new exhibits at the Arcadia Depot, some in partnership with the Indiana Historical Society through its digital railroad collection.

That research indicated about 20 percent of the population would have high interest in participating in the train experience. Given the populations of the Chicago area and Indiana, that should translate to a viable business. Not surprisingly two audiences emerged as key: older adults without children looking for an interesting experience and families or multi-generational families with younger children. Programs will be monitored constantly for return on investment, and metrics will be established to measure success

Nickel Plate Heritage Railroad, Inc. Five-Year Financial Forecast

REVENUE	Year 1*	Year 2	Year 3	Year 4	Year 5	Year 6
Railroad Car Sponsorships @ \$15,000	\$ 15,000.00	\$ 30,000.00	\$ 30,000.00	\$ 45,000.00	\$ 45,000.00	\$ 45,000.00
Major Event Sponsorships @ \$5,000	\$ 15,000.00	\$ 35,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
Other Gifts	\$ 5,000.00	\$ 10,000.00	\$ 15,000.00	\$ 20,000.00	\$ 25,000.00	\$ 25,000.00
Earned Revenue	\$ 300,000.00	\$ 575,000.00	\$ 625,000.00	\$ 675,000.00	\$ 725,000.00	\$ 800,000.00
Start-Up Grant	\$ 100,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
Tourism Grant	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00
TOTAL REVENUE	\$ 535,000.00	\$ 750,000.00	\$ 710,000.00	\$ 780,000.00	\$ 835,000.00	\$ 910,000.00
*Half Year						
WAGES/BENEFITS						
Executive Director (full year one)	\$ 50,000.00	\$ 52,500.00	\$ 55,000.00	\$ 57,500.00	\$ 60,000.00	\$ 62,500.00
Director Benefits	\$ 15,000.00	\$ 16,000.00	\$ 17,000.00	\$ 18,000.00	\$ 19,000.00	\$ 20,000.00
Program Manager (30 hours per week) (full year one)	\$ 35,000.00	\$ 36,500.00	\$ 38,000.00	\$ 39,500.00	\$ 41,000.00	\$ 42,500.00
Program Manager Benefits (partial health care support)	\$ 10,000.00	\$ 11,000.00	\$ 12,000.00	\$ 13,000.00	\$ 14,000.00	\$ 15,000.00
Office Assistant/Visitor Services (25 hours per week)	\$ 22,000.00	\$ 23,000.00	\$ 24,000.00	\$ 25,000.00	\$ 26,000.00	\$ 27,000.00
Cell Phone Reimbursements	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00
Temporary Part Time Support (partial year one)	\$ 5,000.00	\$ 10,000.00	\$ 11,000.00	\$ 12,000.00	\$ 13,000.00	\$ 14,000.00
Taxes Part Time Support	\$ 700.00	\$ 700.00	\$ 700.00	\$ 700.00	\$ 700.00	\$ 700.00
Volunteer/Staff Recognitions	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00
Volunteer/Staff Uniforms	\$ 2,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
FACILITY & SUPPLIES						
Office Space	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities/Cleaning/Supplies/Maintenance	\$ 3,600.00	\$ 3,600.00	\$ 3,600.00	\$ 3,600.00	\$ 3,600.00	\$ 3,600.00
Technology/Wireless/One Phone Number	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00
Liability/D&O/Building Insurance	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
PROGRAMS/OPERATIONS						
Program Related Costs (including town expenses)	\$ 25,000.00	\$ 50,000.00	\$ 55,000.00	\$ 60,000.00	\$ 65,000.00	\$ 70,000.00
Train Operations Contract	\$ 175,000.00	\$ 350,000.00	\$ 365,000.00	\$ 385,000.00	\$ 400,000.00	\$ 415,000.00
MARKETING/OTHER						
Print/Promotional/Misc.	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00
Marketing Spring	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00
Marketing Summer	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00
Marketing Fall	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00
Marketing Holiday	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00
Credit Card Fees	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00
Train Rail Car Sponsor Wraps Costs	\$ 10,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
Miscellaneous	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
Railroad Repair Debt Service	\$ 25,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 75,000.00
TOTAL EXPENSES	\$ 496,700.00	\$ 727,700.00	\$ 755,700.00	\$ 788,700.00	\$ 816,700.00	\$ 869,700.00
DIFFERENCE						
	\$ 38,300.00	\$ 22,300.00	\$ -	\$ 8,700.00	\$ 18,300.00	\$ 40,300.00
CASH FLOW						
	\$ 38,300.00	\$ 60,600.00	\$ 14,900.00	\$ 6,200.00	\$ 24,500.00	\$ 64,800.00

Scope of Rail Line Operations Overview

The Hoosier Heritage Port Authority Request for Proposals specifically states that proposals will acknowledge responsibility for maintenance of the “entire corridor” even if use of a smaller portion of the corridor is proposed.

This proposal offers to operate the *northern 8.5 miles* of the railroad and offers the following management services to the HHPA and/or rail line owners to satisfy this requirement:

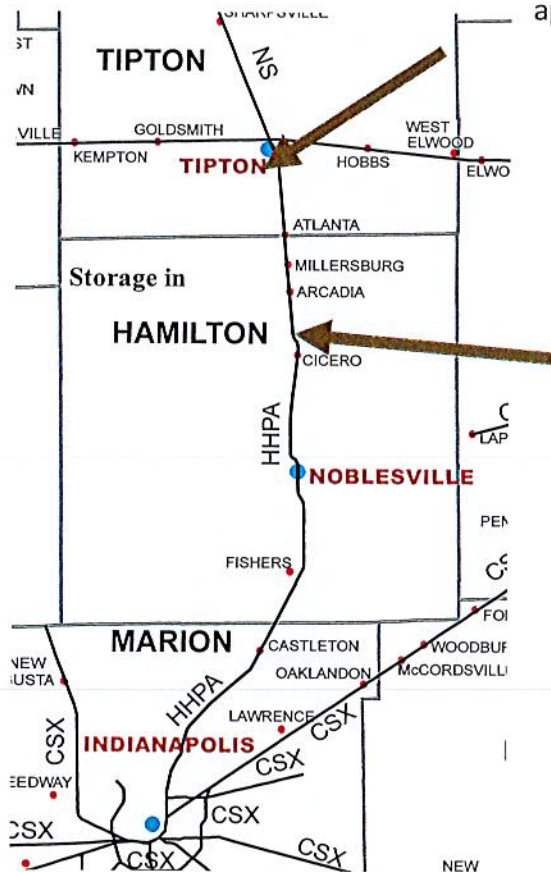
- **Track Removal and Disposal** – of the line south of the area designated as trails (in an area to be defined by the owners) and the newer salvage reused in the designated rehabilitation zone of the track to reduce expenses, with remaining scrap materials otherwise salvaged and the profits divided according to any possible new ownership structure of the rail line. The expertise of the team in managing this process will save the owners time and money and ensure it is not only properly done, but the original assets of the rail line are re-purposed for economy. This proposal then focuses only on the northern 8.5 miles of the track once that has been completed. Note, a request will be made to Tipton to support this operation in some way. Conversations have already taken place regarding this economic development opportunity.
- **Equipment Removal and Disposal** – of the existing operator’s landlocked equipment in Forest Park, with salvageable equipment retained for the new railroad operations and the remaining scrap sold and used to support other projects designated by the city owner. This will be done in a way that meets the standards of professional museum conduct, such as offering items not being used by the new operator to museums that are appropriate and cleaning up that which is not. The dispensation of Hobbes Station can be discussed as an additional project.

Recognizing Noblesville’s desire to possibly retain rail service to the city from the northern end, two options are presented for actual rail operations. The first includes the northern 8.5 miles of the track. This is the simplest and most viable option. The second does increase the line to approximately 17 miles of track, from Tipton to Noblesville.

A third option also could be considered, from Atlanta to Noblesville, or approximately 11 miles of track, with the owners working with Tipton for transfer of the northern line if that would be desired for trail use. Much will depend on the ability to financially support anything more than the 8.5 miles in this proposal. As you can see from the previous pro forma, anything beyond the 8.5 miles of operation will be a challenge without some additional buy-in or repurposing of assets.

Scope of Rail Line Operations: Option A

As the Hoosier Heritage Port Authority knows, the rail line has pockets of restoration work required. But overall, the rail infrastructure is solid. The concern is ongoing operations. In Option A, the Nickel Plate Heritage Railroad, Inc. proposes to operate the rail line from Atlanta south to Arcadia and to incorporate the Hamilton Heights High School FFA Pumpkin Patch, and then north to Tipton, Indiana – a total of approximately 8.5 miles.



Future Freight?

Rationale for Option A

Manageable 8.5 miles of track would allow for an enjoyable experience out of Atlanta north to Tipton or south to Arcadia. Atlanta, Indiana is within the USDA Rural Development zone which allows for some additional pass-through federal funding for support, if available. The origination point of the train benefits more than the destination point, and this investment would support economic development in all three communities. The farthest point south is chosen because it supports the Hamilton Heights High School FFA Pumpkin Patch, a great cross-community activity and an important programming element. Finally, this project would support the work being done at Strawtown Koteewi Park by the Hamilton County Parks Department, providing complementary things to do such as hiking, biking, canoeing, archery, horseback riding and a zip line course. Morse Beach Reservoir also is nearby, as is the waterfront at Cicero.



Option B runs from Atlanta north to Tipton and then south to the north side of the square, ending at Bolden's Dry Cleaners.

The total track repair from Tipton to Noblesville almost doubles the investment required. An 8.5-mile track becomes an almost 18-mile track. A \$500,000 expense becomes a \$1 million expense and doubles the infrastructure debt service.

While ideally the train would run to and from Noblesville, which is more than 8 times the population of the communities to its north, it would not provide a return on investment.

If grants and support could become available to help offset this additional expense, it is a possibility that Option B could be adopted as the ideal length of the railroad.

In addition, Option B would require both the City of Noblesville and the Town of Cicero to agree to the line remaining rail.

Option C would focus from Tipton south to Noblesville.

Nickel Plate Heritage Railroad Proposed Equipment, Facilities & Risk Management

Facilities

The current draft plan is to work with the Town of Atlanta on an acre parcel it has available as part of this redevelopment program. The acre would house a quality pole barn and equipment repair operation and store the small number of equipment items that would be part of the program's work. Cost to construct the pole barn would be built into the organization's capital acquisition budget and subsequent loan.

As was noted earlier, likely the dispatcher would work out of an office located in downtown Atlanta. Ticket sales would take place in Mr. Muffin's train stores, and for larger events in a small structure to be built near the track that will serve as a ticketing station.

Equipment Storage & Maintenance

These pieces of equipment tentatively include:

- **Locomotive** – The operator will seek at least one and most likely two locomotives adequate and reliable to provide dependable rail service
- **Passenger Cars** – The operator will seek to lease or purchase passenger cars to support a minimum capacity of 200

Initially, the equipment could be leased although the desire is to acquire equipment. Research indicates that investment in equipment will cost approximately \$750,000 plus transportation as the port authority line is landlocked. This will increase costs exponentially. All options will be explored, however.

An offer could be made to the Indiana Transportation Museum to receive a few key pieces of equipment, should they be made available for sale or lease. This is the most cost-effective option as transportation costs would be avoided. Restoration costs would be covered in the capital outlay budget and in a request to the Legacy Fund of Hamilton County.

Track Maintenance

Repair and maintenance equipment will be leased from a third party under an agreement.

Regular inspections will take place and reported to the track management team, and investments will be made to ensure the rail lines are maintained in safe operating condition in accordance with all regulations and law.

An annual plan of work will be included in the budget cycle preparations each year.

Risk Management

In addition to utilizing a professional staff to run the railroad, as well as ongoing equipment and track inspections, the operator of the Nickel Plate equipment will carry the following liability insurance to ensure adequate coverage through an appropriate carrier with \$10 million in general liability coverage with a deductible of \$25,000.

The Nickel Plate Heritage Railroad, Inc. non-profit partner, will operate as an additionally insured on the rail line, plus carry officers and directors insurance plus general liability insurance of \$5 million and a deductible of \$5,000.

Partnership: Hoosier Heritage Port Authority

The Nickel Plate Heritage Railroad sees the Hoosier Heritage Port Authority as a partner in this initiative to support economic growth in northern Hamilton County. Rarely is there an opportunity to support a program of work in the most rural parts of a county like this that have genuine viability, as proven by market research and experience.

The Hoosier Heritage Port Authority, in whatever iteration once the proposals are accepted the rail line potentially dissected for its various uses, would serve as a member of the ad hoc Nickel Plate Rail Line Commission and be a part of decision-making rather than a landlord. All information would remain transparent and available for viewing by the public.

Terms of the Agreement

This proposal asks for a zero-cost five-year lease with the non-profit entity carrying the burden of the project, a task that could not be done if not for the quality business partners that have a huge philanthropic interest in work program. It is estimated that at minimum \$1 million will be invested to bring this project to fruition.

It is hoped that the Hoosier Heritage Port Authority sees value in this program not as a train excursion but as an economic development tool and would invest time and energy into its success.

Financial Security

Nickel Plate Heritage Railroad will apply for a USDA Rural Development loan to fund the project, which will guarantee up to 70% of the maximum loan value. It is estimated between \$750,000 and \$1,250,000 will be required, meaning the lending bank may require collateral of \$375,000 and this may create a potential gap in the plan. An option may be to borrow these funds from the Hoosier Heritage Port Authority as an economic development loan and repay along with the USDA loan. Maximum term on working capital is 7 years and on machinery and equipment is its useful life or 15 years, whichever is less. The business must have at least 20% in a tangible balance sheet equity position; this position will be covered by Hamilton County Tourism, Inc. The HCT Board of Directors has authorized back-stopping the loan for \$100,000 annually for up to five years. Assuming a loan of \$1.1 million at a rate of 5%, the debt service on that loan would be \$62,000 plus annual service fees, or approximately \$63,000.

A loan has not been secured. Several conversations have taken place with the Indiana regional USDA representative, and there is a high level of confidence of securing a commercial financial arrangement.

Some additional collateral is found with the Atlanta Depot and land.

A financial audit from Hamilton County Tourism, Inc. is attached to help the Hoosier Heritage Port Authority understand its ability to support this project.

The railroad operator/owner of Atlanta Pacific LLC has retired but has decades of solid business experience. A letter of credit from his bank is provided to support his viability as the operator.

HAMILTON COUNTY TOURISM, INC.

Statement of Financial Position

December 31, 2015 & 2014

ASSETS

	2015	2014
<u>Current Assets:</u>		
Cash and cash equivalents (Note 1 & 8)	\$ 485,601	\$ 295,230
Accounts Receivable	11,249	150
Prepaid rent & expenses (Note 7)	151,659	125,919
Total current assets	<u>\$ 648,509</u>	<u>\$ 421,299</u>
<u>Noncurrent Assets:</u>		
Prepaid rent (Note 4)	\$ 0	\$ 28,532
Buildings, equip., fixtures & improvements (Note 1)	1,439,539	1,446,360
Less accumulated depreciation	(415,366)	(375,149)
Total noncurrent assets	<u>\$ 1,024,173</u>	<u>\$ 1,099,743</u>
Total assets	<u>\$ 1,672,682</u>	<u>\$ 1,521,042</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>		
Accounts payable	\$ 94,743	\$ 160,155
Unearned revenue	13,257	31,228
Accrued wages payable	91,898	91,102
Employee withholding & other payables	1,938	4,213
Total current liabilities	<u>\$ 201,834</u>	<u>\$ 286,698</u>
<u>Net Assets:</u>		
Unrestricted	\$ 793,581	\$ 653,773
Temporarily restricted	677,267	580,571
Total net assets	<u>\$ 1,470,848</u>	<u>\$ 1,234,344</u>
Total liabilities and net assets	<u>\$ 1,672,682</u>	<u>\$ 1,521,042</u>

(See accompanying notes to financial statements)

HAMILTON COUNTY TOURISM, INC.

Statement of Activities

For the Years Ended December 31, 2015 & 2014

	2015	2014
<u>Changes in Unrestricted Net Assets:</u>		
Revenues:		
Memberships	\$ 32,128	\$ 35,157
Events, Conferences & Grants	46,110	60,806
Miscellaneous	69,202	93,137
Interest income	53	54
Total unrestricted revenue	\$ 147,493	\$ 189,154
Net assets released from restriction	3,400,691	3,265,696
Total unrestricted revenues & support	\$ 3,548,184	\$ 3,454,850
Expenses:		
Program expense	\$ 3,045,032	\$ 2,954,680
Management & general	363,344	321,977
Total expenses	\$ 3,408,376	\$ 3,276,657
Increase / (decrease) in unrestricted net assets	\$ 139,808	\$ 178,193
<u>Changes in Temporarily Restricted Net Assets:</u>		
Contributions - Hamilton County Visitors & Convention Commission	\$ 3,497,387	\$ 3,033,092
Contributions - Other Restricted Revenue	0	0
Total temporarily restricted revenue	\$ 3,497,387	\$ 3,033,092
Net assets released from restricted net assets	3,400,691	3,265,696
Change in temporarily restricted net assets	\$ 96,696	\$ (232,604)
(Decrease) / increase in net assets	\$ 236,504	\$ (54,411)
Net assets at beginning of year	1,234,344	1,288,755
Net assets at end of year	\$ 1,470,848	\$ 1,234,344

(See accompanying notes to financial statements)

HAMILTON COUNTY TOURISM, INC.

Statement of Cash Flows

For the Years Ended December 31, 2015 & 2014

	2015	2014
<u>Cash Flows from Operating Activities:</u>		
(Decrease) / increase in net assets	\$ 236,504	\$ (54,411)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	55,880	79,334
(Increase) / decrease in accounts receivable	(11,099)	6,350
(Increase) / decrease in prepaid expenses	2,792	20,889
Increase / (decrease) in accounts & grants payable	(65,412)	88,725
Increase / (decrease) in unearned dues revenue	(17,971)	(8,929)
Increase / (decrease) in accrued expenses	(1,481)	9,357
Net cash provided / (used) by operating activities	\$ <u>199,213</u>	\$ <u>141,315</u>
<u>Cash Flow from Investing Activities:</u>		
Purchase of equipment & property	(10,101)	(102,713)
Additional provided from equipment sales	1,259	0
Net cash used in investing activities	\$ <u>(8,842)</u>	\$ <u>(102,713)</u>
Increase/(decrease) in cash & cash equivalents	\$ 190,371	\$ 38,602
Cash & cash equivalents at beginning of year	<u>295,230</u>	<u>256,628</u>
Cash & cash equivalents at end of year	\$ <u><u>485,601</u></u>	\$ <u><u>295,230</u></u>

(See accompanying notes to financial statements)

HAMILTON COUNTY TOURISM, INC.

Statement of Financial Position

December 31, 2016 & 2015

ASSETS

	2016	2015
<u>Current Assets:</u>		
Cash and cash equivalents (Note 1 & 8)	\$ 789,645	\$ 485,601
Accounts Receivable	6,757	11,249
Prepaid rent & expenses (Note 7)	295,366	151,659
Total current assets	<u>\$ 1,091,768</u>	<u>\$ 648,509</u>
<u>Noncurrent Assets:</u>		
Buildings, equip., fixtures & improvements (Note 1)	\$ 1,435,967	\$ 1,439,539
Less accumulated depreciation	(442,826)	(415,366)
Total noncurrent assets	<u>\$ 993,141</u>	<u>\$ 1,024,173</u>
Total assets	<u>\$ 2,084,909</u>	<u>\$ 1,672,682</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>		
Accounts payable	\$ 131,575	\$ 94,743
Unearned revenue	50,240	13,257
Accrued wages payable	95,694	91,896
Employee withholding & other payables	1,629	1,938
Total current liabilities	<u>\$ 279,138</u>	<u>\$ 201,834</u>
<u>Net Assets:</u>		
Net Assets Without Donor Restrictions	\$ 867,580	\$ 793,581
Net Assets With Donor Restrictions	938,191	677,267
Total net assets	<u>\$ 1,805,771</u>	<u>\$ 1,470,848</u>
Total liabilities and net assets	<u>\$ 2,084,909</u>	<u>\$ 1,672,682</u>

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(See accompanying notes to financial statements)

HAMILTON COUNTY TOURISM, INC.

Statement of Activities

For the Years Ended December 31, 2016 & 2015

	2016	2015
<u>Changes in Net Assets without Donor Restrictions:</u>		
Revenues:		
Memberships	\$ 14,357	\$ 32,128
Events, Conferences & Grants	39,498	46,110
Miscellaneous	30,411	69,202
Interest income	64	53
Total revenue without donor restrictions	<u>\$ 84,330</u>	<u>\$ 147,493</u>
Net assets released from restriction	<u>3,489,094</u>	<u>3,400,691</u>
Total revenues & support without donor restrictions	<u>\$ 3,573,424</u>	<u>\$ 3,548,184</u>
Expenses:		
Program expense	\$ 3,087,528	\$ 3,045,032
Management & general	411,897	363,344
Total expenses	<u>\$ 3,499,425</u>	<u>\$ 3,408,376</u>
Increase / (decrease) in net assets without donor restrictions	<u>\$ 73,999</u>	<u>\$ 139,808</u>
<u>Changes in Net Assets with Donor Restrictions:</u>		
Contributions - Hamilton County Visitors & Convention Commission	\$ 3,750,018	\$ 3,497,387
Contributions - Other Restricted Revenue	0	0
Total revenue with donor restrictions	<u>\$ 3,750,018</u>	<u>\$ 3,497,387</u>
Net assets released from restricted net assets	<u>3,489,094</u>	<u>3,400,691</u>
Change in net assets with donor restrictions	<u>\$ 260,924</u>	<u>\$ 96,696</u>
(Decrease) / increase in net assets	<u>\$ 334,923</u>	<u>\$ 236,504</u>
Net assets at beginning of year	<u>1,470,848</u>	<u>1,234,344</u>
Net assets at end of year	<u>\$ 1,805,771</u>	<u>\$ 1,470,848</u>

DRAFT

(See accompanying notes to financial statements)

HAMILTON COUNTY TOURISM, INC.

Statement of Cash Flows

For the Years Ended December 31, 2016 & 2015

	2016	2015
<u>Cash Flows from Operating Activities:</u>		
(Decrease) / increase in net assets	\$ 334,923	\$ 236,504
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	52,708	55,880
(Increase) / decrease in accounts receivable	4,492	(11,099)
(Increase) / decrease in prepaid expenses	(143,707)	2,792
Increase / (decrease) in accounts & grants payable	36,832	(65,412)
Increase / (decrease) in unearned dues revenue	36,983	(17,971)
Increase / (decrease) in accrued expenses	3,489	(1,481)
Net cash provided / (used) by operating activities	\$ <u>325,720</u>	\$ <u>199,213</u>
<u>Cash Flow from Investing Activities:</u>		
Purchase of equipment & property	(25,798)	(10,101)
Additional provided from equipment disposal	4,122	1,259
Net cash used in investing activities	\$ <u>(21,676)</u>	\$ <u>(8,842)</u>
Increase/(decrease) in cash & cash equivalents	\$ 304,044	\$ 190,371
Cash & cash equivalents at beginning of year	<u>485,601</u>	<u>295,230</u>
Cash & cash equivalents at end of year	\$ <u><u>789,645</u></u>	\$ <u><u>485,601</u></u>
 <u>Supplemental Data:</u>		
Non cash Investing activities:		
Gifts of Equipment	\$ 22,343	\$ 0

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(See accompanying notes to financial statements)



Wealth Advisory Group
6851 W Jefferson Blvd
Fort Wayne, IN 46804
(260) 399-2485

June 13, 2017

Subject: Atlanta Pacific Railroad LLC, Thomas C. Hoback

To Whom It May Concern:

Atlanta Pacific Rail, LLC has been formed by Thomas G. Hoback to position itself as a contractor for the Arcadia Arts and Heritage Depot and the Nickel Plate Heritage Railroad, Inc. for actual operations and management of railroad activity on the Nickel Plate Rail Line administered by the Hoosier Heritage Port Authority. This is a newly created entity whose characteristics are best measured by attribution to it of the experience and financial viability of its founder, Thomas G. Hoback. The LLC has a commercial banking relationship with Lake City Bank and the Founder has a personal banking relationship with Lake City Bank, and has represented and committed to Respondent that it is solvent with adequate liquidity, and has tangible net worth in excess of \$500,000.00.

The Bank's affirmation or documentation is enclosed with the Respondent's proposal. As the Atlanta Pacific Rail, LLC was created January 31, 2017, it has had no fiscal year ends or accounting reports.

Best Regards,

A handwritten signature in black ink, appearing to read 'Reneta U. Thuraiathan'.

Reneta U. Thuraiathan CTFA
Vice President
Wealth Advisor

Nickel Plate Heritage Railroad, Inc. Proposed Development Timeline

2017

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Contract Awarded	Contract Signed	Start-Up Grant Submitted	Planning		Non-Profit Staff Search
Loan Applied For	Loan Secured				Program Operations Planning
	RFP Let For Rail Rehabilitation	Rail Line Removed if Contracted Equipment Lease Arranged; Restoration Under Way Rehabilitation Contract Awarded & Scheduled			
		Downtown Atlanta Enhancements Begin if USDA Revitalization Grant Received			

2018

JANUARY	FEBURARY	MARCH	APRIL	MAY	JUNE
Non-Profit Staff Hired	Staff Development	Rail Rehabilitation Depot/Facilities Completed			Rail Service Begins
Planning			Marketing		Operations

Nickel Plate Heritage Railroad, Inc. Proposed Draft Program Schedule

Programs are designed to highlight Atlanta, Indiana and to create experience and price point levels. This allows for a broader audience reach. All programs are speculative and subject to change. Approximately 25,000 passengers a year for about 75 operating days a year will be the initial goal (primarily Fridays and Saturdays except for charters and school tour trains). Much will depend on the capacity of the equipment.

MARCH/APRIL

Bunny Train

Breakfast, Lunch with the Bunny

APRIL/MAY

Art Town/Art Train

Spring Town/Spring Fling Train

JUNE

PBS Kids Train (if sponsorship secured)

JULY

Independence Train

AUGUST

Steam Punk Train (to tie with Gen Con)

SEPTEMBER

Harvest Train

Earth Festival Train

OCTOBER

Pumpkin Train

Ghost Train

NOVEMBER/DECEMBER

Santa Train

Breakfast, Lunch with Santa

INTERSPERSED THROUGHOUT YEAR

Short Excursions

Pizza Trains

Dinner Trains

Charter Trains

School Trains

Other Themed/Sponsor Trains